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SUBJECT: LATVIAN PARLIAMENT INSTALLS NEW CENTER-RIGHT MAJORITY GOVERNMENT, PM KALVITIS RETAINS HIS POST

¶1. SUMMARY. The Saeima (Latvian parliament) voted 58-41 on November 7 to approve a new center-right government led by Prime Minister Aigars Kalvitis of the People's Party. The new government took office immediately after the vote. The four-party coalition consisting of the People's Party (TP), the Greens and Farmers Union (ZZS), the First Party/Latvia's Way (LPP/LC), and Fatherland and Freedom/LNNK (TB/LNNK) controls 59 seats in the 100-member Saeima. The government's agreed-to priorities include improving the education system, turning around Latvia's population decline (caused by low birth rates and labor out-migration), curbing inflation, balancing the budget, increasing energy security, improving police performance, professionalism, and remuneration, and using EU funds efficiently. Most ministers from the previous Kalvitis cabinet retained their jobs, although the key interior, justice, and economics portfolios turned over. Pundits expect the new government to be among the most stable since Latvia regained independence in 1991. Kalvitis became the first PM in Latvia's history to keep his position after fresh elections. END SUMMARY.

¶2. Following several weeks of unusually quiet and pragmatic inter-party consultations culminating in a decision to invite a fourth partner (TB/LNNK) into the government, the new Saeima comfortably endorsed the four-party coalition led by Prime Minister Aigars Kalvitis of the People's Party at its first session on November 7. Of 99 MPs voting, 58 backed the government (all present members of the ruling coalition), and 41 voted against (all opposition MPs from New Era, Harmony Center and PCTVL factions). Aigars Kalvitis thereby became the first prime minister in Latvia's history to retain his job after fresh elections.

¶3. Prime Minister Aigars Kalvitis' new government has a comfortable 59-seat majority in the 100-member Saeima: TP (23 seats), ZZS (18 seats), LPP/LC (10 seats) and TB/LNNK (8 seats). The new government has 19 cabinet portfolios. The only change in cabinet portfolios is the creation of a new portfolio of Minister in Charge of Managing EU funds. The People's Party will hold seven ministerial posts, the Union of Greens and Farmers will have five portfolios, the First Party/Latvia's Way - four, and Fatherland and Freedom/LNNK - three.

¶4. Most ministers from the previous Kalvitis' government will keep their jobs, including defense minister Atis Slakteris (TP) and foreign minister Artis Pabriks (TP), who is a strong trans-atlanticist. The most controversial member of the new cabinet is Ainars Slesers of LPP/LC who returns as transport minister after being sacked by PM Kalvitis from the same position earlier in the year following his implication in a vote-buying scandal in the city of Jurmala. Post-Soviet Latvia's first (and so far longest-serving) prime minister Ivars Godmanis (LPP/LC) will work as interior minister replacing much-criticized Dzintars Jaundzeikars. In addition, former Economics Minister Stokenbergs has been replaced by LNNK's Jurijs Strods, while Stokenbergs moves to be Minister for Regional Development. LNNK also received the Justice Ministry, in the person of Gaidis Berzins.

¶5. The composition of the new Latvian government is as follows:

-- Prime Minister: Aigars Kalvitis (TP)
-- Health Minister: Gundars Berzins (TP)
-- Foreign Minister: Artis Pabriks (TP)
-- Finance Minister: Oskars Spurdzins (TP)
-- Culture Minister: Helena Demakova (TP)
-- Regional Development/Municipal Affairs Minister: Aigars Stokenbergs (TP)
-- Defense Minister: Atis Slakteris (TP)
-- Economy Minister: Jurijs Strods (TB/LNNK)
-- Justice Minister: Gaidis Berzins (TB/LNNK)
-- Minister for Managing EU Money: Normunds Broks (TB/LNNK)
-- Social Integration Minister: Oskars Kastens (LPP/LC)
-- Transport Minister: Ainars Slesers (LPP/LC)
-- Interior Minister: Ivars Godmanis (LPP/LC)
-- Children and Family Affairs Minister: Ainars Bastiks (LPP/LC)
-- Agriculture Minister: Martins Roze (ZZS)
-- Environment Minister Raimonds Vejonis (ZZS)
-- Welfare Minister: Dagnija Stake (ZZS)
-- Education and Science Minister: Baiba Riva (ZZS)
-- e-Affairs Minister: Ina Gudele (ZZS)

¶6. Under the government's "declaration" or action plan, its main priorities are: improving the education system, finding ways to reverse Latvia's continuing decline in population (caused by a combination of low birth rates, high mortality among certain groups, and an acceleration of labor out-migration following Latvia's 2004 entrance into the EU), curbing inflation, balancing the budget, increasing energy security, increasing the performance, professionalism and remuneration of the police force, and using EU funds more efficiently. Longer term, the government aims to build Latvia as a competitive, highly-developed and prosperous society. Strengthening the rule of law, fighting corruption, combating crime and contraband are also listed among the long-term priorities. In foreign policy, the GOL, among other things, pledges to preserve and strengthen the strategic bilateral partnership with the U.S. as well as to support transatlantic links and solidarity among allies.

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Latvia plans to continue participating in international peace-keeping missions under the auspices of NATO, EU or the UN.

¶7. Comment: Kalvitis' new majority government represents one of the most stable ruling coalitions in Latvia's history and has the potential to work until the fall 2010 Saeima elections. That said, it remains to be seen whether the government will manage to implement its policies efficiently and avoid the emergence of serious inter-party squabbles. By leaving center-right New Era (JL) in the opposition, the People's Party, Greens and Farmers and the First Party wanted to punish JL for its continued feuding with its coalition partners after the last elections, and for its decision to withdraw from the Kalvitis coalition in April. Even though JL won 18 seats in the October elections and is ideologically close to the four coalition parties, it is likely in for a long spell in the opposition. JL could only return to the government if a need to reshuffle the Kalvitis government arises because of irreconcilable differences among the coalition partners. Given the careful discussions which preceded the government's formation, this is unlikely any time soon. End comment.

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